

111TH CONGRESS
1ST SESSION

H. R. 2588

To prevent foreclosure of home mortgages and increase the availability of affordable new mortgages and affordable refinancing of mortgages held by Fannie Mae and Freddie Mac.

IN THE HOUSE OF REPRESENTATIVES

MAY 21, 2009

Mr. CARDOZA (for himself and Mr. COSTA) introduced the following bill; which was referred to the Committee on Financial Services

A BILL

To prevent foreclosure of home mortgages and increase the availability of affordable new mortgages and affordable refinancing of mortgages held by Fannie Mae and Freddie Mac.

1 *Be it enacted by the Senate and House of Representa-*
2 *tives of the United States of America in Congress assembled,*

3 **SECTION 1. SHORT TITLE.**

4 This Act may be cited as the “Housing Opportunity
5 and Mortgage Equity Act of 2009”.

6 **SEC. 2. AFFORDABLE NEW MORTGAGES.**

7 (a) **AUTHORITY.**—The Federal National Mortgage
8 Association and the Federal Home Loan Mortgage Cor-

1 poration shall each carry out a program under this section
 2 to purchase and securitize qualified new mortgages on sin-
 3 gle-family housing, in accordance with this section and
 4 policies and procedures that the Director of the Federal
 5 Housing Finance Agency shall establish.

6 (b) REQUIREMENT TO PURCHASE QUALIFIED NEW
 7 MORTGAGES.—If a lender proffers to an enterprise, in ac-
 8 cordance with requirements established by the Director,
 9 a mortgage or mortgages for purchase under this section,
 10 the enterprise shall make a determination of whether such
 11 mortgage or mortgages are qualified new mortgages. Sub-
 12 ject to subsection (e), if the enterprise determines that
 13 such mortgage or mortgages meet the requirements for
 14 qualified new mortgages, the enterprise shall make a com-
 15 mitment to purchase, and shall purchase, the mortgage
 16 or mortgages.

17 (c) QUALIFIED NEW MORTGAGES.—For purposes of
 18 this section, the term “qualified new mortgage” means a
 19 mortgage that meets the following requirements:

20 (1) SINGLE-FAMILY HOUSING.—The property
 21 subject to the mortgage shall be a one- to four-fam-
 22 ily dwelling, including a condominium or a share in
 23 a cooperative ownership housing association.

24 (2) PRINCIPAL RESIDENCE.—The mortgagor
 25 under the mortgage shall occupy the property sub-

1 ject to the mortgage as his or her principal resi-
2 dence.

3 (3) INTEREST RATE; TERM TO MATURITY.—The
4 mortgage shall—

5 (A) bear interest at a single rate that is
6 fixed for the entire term of the mortgage, which
7 shall not exceed an annual rate that is 1.6 per-
8 centage points higher than the average annual
9 rate of interest paid on obligations of the
10 United States most recently issued by the Sec-
11 retary of the Treasury and having 10-year ma-
12 turities; and

13 (B) have a term to maturity of not less
14 than 30 years and not more than 40 years from
15 the date of the beginning of the amortization of
16 the mortgage.

17 (4) UNDERWRITING STANDARDS.—The mort-
18 gage shall meet such underwriting standards as the
19 Director shall require.

20 (5) HOME PURCHASE.—The principal loan
21 amount repayment of which is secured by the mort-
22 gage shall be used to purchase the property that is
23 subject to the qualified new mortgage.

1 (6) NEW MORTGAGES.—The mortgage was
2 originated on or after the date of the enactment of
3 this Act.

4 (d) SECURITIZATION.—

5 (1) REQUIREMENT.—Each enterprise shall,
6 upon such terms and conditions as it may prescribe,
7 set aside any qualified new mortgages purchased by
8 it under this section and, upon approval of the Sec-
9 retary of the Treasury, issue and sell securities
10 based upon such mortgages set aside.

11 (2) FORM.—Securities issued under this sub-
12 section may be in the form of debt obligations or
13 trust certificates of beneficial interest, or both.

14 (3) TERMS.—Securities issued under this sub-
15 section shall have such maturities and bear such
16 rate or rates of interest as may be determined by the
17 enterprise with the approval of the Secretary.

18 (4) EXEMPTION.—Securities issued by an en-
19 terprise under this subsection shall, to the same ex-
20 tent as securities which are direct obligations of or
21 obligations guaranteed as to principal and interest
22 by the United States, be deemed to be exempt secu-
23 rities within the meaning of laws administered by
24 the Securities and Exchange Commission.

1 (5) PRINCIPAL AND INTEREST PAYMENTS.—

2 Mortgages set aside pursuant to this subsection shall
3 at all times be adequate to enable the issuing enter-
4 prise to make timely principal and interest payments
5 on the securities issued and sold pursuant to this
6 subsection.

7 (6) REQUIRED DISCLOSURE.—Each enterprise
8 shall insert appropriate language in all of the securi-
9 ties issued under this subsection clearly indicating
10 that such securities, together with the interest there-
11 on, are not guaranteed by the United States and do
12 not constitute a debt or obligation of the United
13 States or any agency or instrumentality thereof
14 other than the enterprise.

15 (e) TERMINATION.—The requirement under sub-
16 section (b) for the enterprises to purchase mortgages shall
17 not apply to any mortgage proffered to an enterprise after
18 the expiration of the two-year period beginning on the date
19 of the enactment of this Act.

20 **SEC. 3. AFFORDABLE REFINANCING OF MORTGAGES HELD**
21 **BY FANNIE MAE AND FREDDIE MAC.**

22 (a) AUTHORITY.—The Federal National Mortgage
23 Association and the Federal Home Loan Mortgage Cor-
24 poration shall each carry out a program under this section
25 to provide for the refinancing of qualified mortgages on

1 single-family housing owned by such enterprise and for the
 2 purchase of and securitization of such refinancing mort-
 3 gages, in accordance with this section and policies and
 4 procedures that the Director of the Federal Housing Fi-
 5 nance Agency shall establish. Such program shall require
 6 such refinancing of a qualified mortgage upon the request
 7 of the mortgagor made to the applicable enterprise and
 8 a determination by the enterprise that the mortgage is a
 9 qualified mortgage.

10 (b) QUALIFIED REFINANCING MORTGAGE.—For pur-
 11 poses of this section, the term “qualified mortgage” means
 12 a mortgage that meets the following requirements:

13 (1) SINGLE-FAMILY HOUSING.—The property
 14 subject to the mortgage shall be a one- to four-fam-
 15 ily dwelling, including a condominium or a share in
 16 a cooperative ownership housing association.

17 (2) REFINANCING OF GSE-OWNED MORT-
 18 GAGES.—The principal loan amount repayment of
 19 which is secured by the mortgage shall be used to
 20 satisfy all indebtedness under an existing first mort-
 21 gage that—

22 (A) was made for purchase of, or refi-
 23 nancing another first mortgage on, the same
 24 property that is subject to the qualified refi-
 25 nancing mortgage;

1 (B) is owned by the Federal National
2 Mortgage Association or the Federal Home
3 Loan Mortgage Corporation; and

4 (C) was originated on or before January 1,
5 2008.

6 (3) INTEREST RATE.—The mortgage shall bear
7 interest at a single rate that is fixed for the entire
8 term of the mortgage, which shall not exceed an an-
9 nual rate that is 1.6 percentage points higher than
10 the average annual rate of interest paid on obliga-
11 tions of the United States most recently issued by
12 the Secretary of the Treasury and having 10-year
13 maturities.

14 (4) WAIVER OF PREPAYMENT PENALTIES.—All
15 penalties for prepayment or refinancing of the un-
16 derlying mortgage refinanced by the mortgage, and
17 all fees and penalties related to the default or delin-
18 quency on such mortgage, shall have been waived or
19 forgiven.

20 (c) TERMINATION.—The requirement under sub-
21 section (a) for the enterprises to refinance qualified mort-
22 gages shall not apply to any request for refinancing made
23 after the expiration of the two-year period beginning on
24 the date of the enactment of this Act.

1 **SEC. 4. TREASURY FINANCING.**

2 (a) **AUTHORITY.**—Subject to subsection (e), the Sec-
3 retary may purchase securities issued by the enterprises
4 pursuant to the programs under this Act and such other
5 obligations as may be issued by the enterprises for pur-
6 poses of carrying out the programs under this Act.

7 (b) **PUBLIC DEBT TRANSACTION.**—For the purpose
8 of purchasing any such securities and obligations, the Sec-
9 retary may use as a public debt transaction the proceeds
10 from the sale of any securities issued under chapter 31
11 of title 31, United States Code, and the purposes for which
12 securities are issued under such chapter are hereby ex-
13 tended to include any purchase by the Secretary of such
14 obligations under this section.

15 (c) **CHARACTERISTICS OF OBLIGATIONS.**—Obliga-
16 tions issued and purchased pursuant to this section shall
17 be in such forms and denominations, bear such maturities,
18 bear interest at such rate, and be subject to such other
19 terms and conditions, as the Secretary shall determine. In
20 determining the term to maturity of such obligations, the
21 Secretary shall take into consideration the terms to matu-
22 rity of the various securities issued by the enterprises pur-
23 suant to the programs under this Act and the terms to
24 maturity and possibility of prepayment of mortgages pur-
25 chased and securitized under such programs.

1 (d) TREATMENT.—All redemptions, purchases, and
2 sales by the Secretary of obligations under this section
3 shall be treated as public debt transactions of the United
4 States.

5 (e) LIMITATION ON AMOUNT.—The aggregate prin-
6 cipal amount of outstanding obligations and securities
7 purchased under subsection (a) by the Secretary and held
8 at any one time may not exceed \$10,000,000,000.

9 **SEC. 5. DEFINITIONS.**

10 For purposes of this Act, the following definitions
11 shall apply:

12 (1) DIRECTOR.—The term “Director” means
13 the Director of the Federal Housing Finance Agen-
14 cy.

15 (2) ENTERPRISE.—The term “enterprise”
16 means the Federal National Mortgage Association
17 and the Federal Home Loan Mortgage Corporation.

18 (3) SECRETARY.—The term “Secretary” means
19 the Secretary of the Treasury.

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